

Business Results for the 1st Half ended May 31, 2014

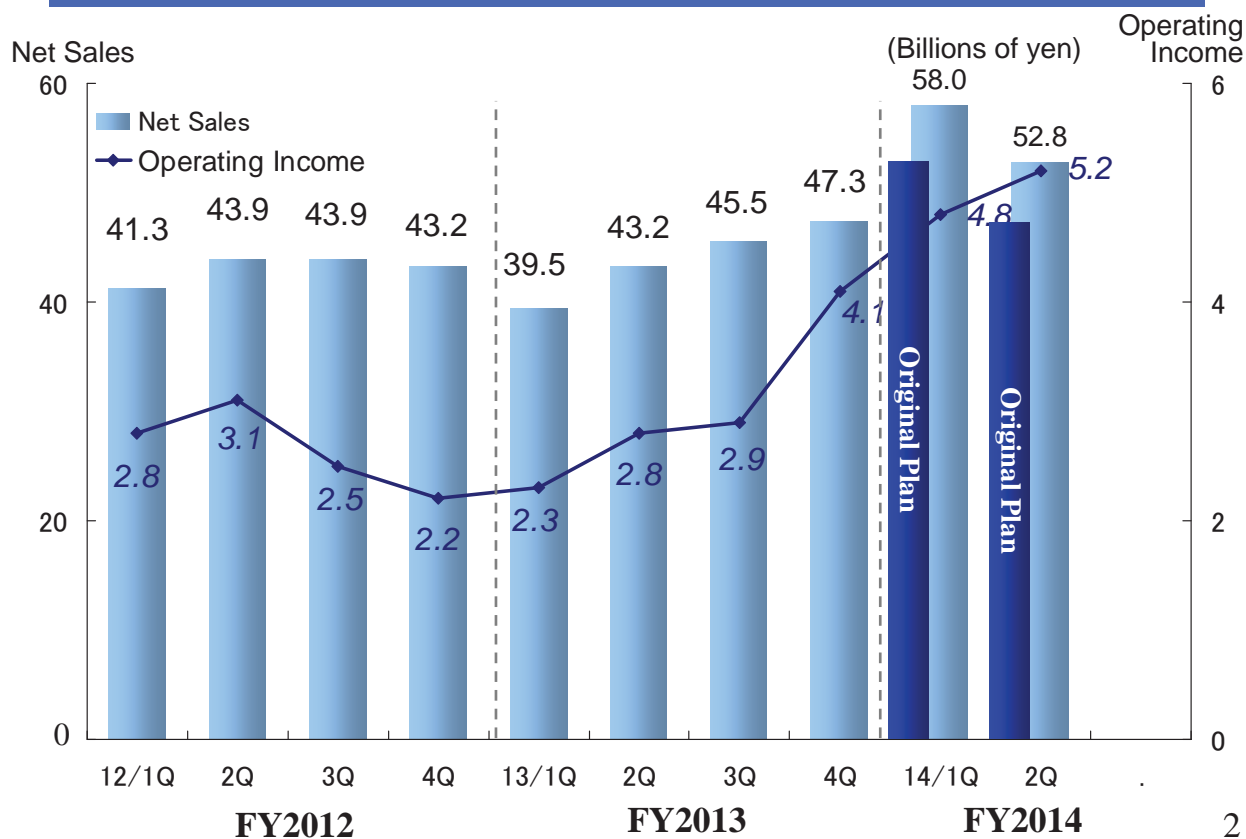
July 16, 2014

NACHI 株式会社 不二越

To Accomplish Our Mid-term Plan

Quarterly Financial Results and Forecast

Overview



FY2014 1st Half Results & Full Year Forecast

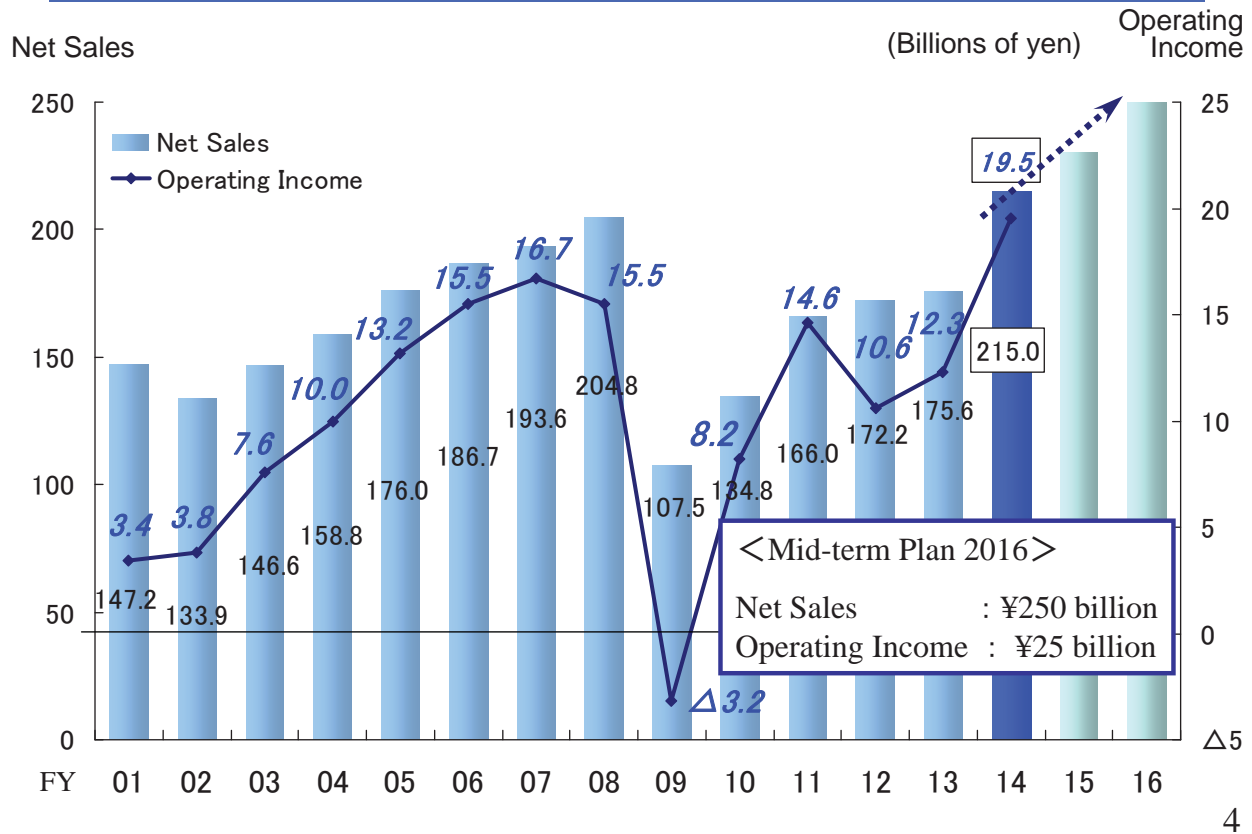
Overview

(Billions of yen)

	FY2013		FY2014	
	1 st Half	Full Year	1 st Half	Full Year F
<i>(rate of increase)</i>			<i>(+33.9%)</i>	<i>(+22.4%)</i>
Net Sales	82.8	175.6	110.9	215.0
<i>[profit ratio on net sales]</i>			<i>(+91.7%)</i>	<i>(+58.0%)</i>
Operating Income	[6.3%] 5.2	[7.0%] 12.3	[9.1%] 10.0	[9.1%] 19.5
Ordinary Income			<i>(+77.1%)</i>	<i>(+58.1%)</i>
	[6.5%] 5.3	[6.7%] 11.6	[8.5%] 9.4	[8.6%] 18.5
Net Income			<i>(x 2.1)</i>	<i>(+56.6%)</i>
	2.2	6.7	4.7	10.5

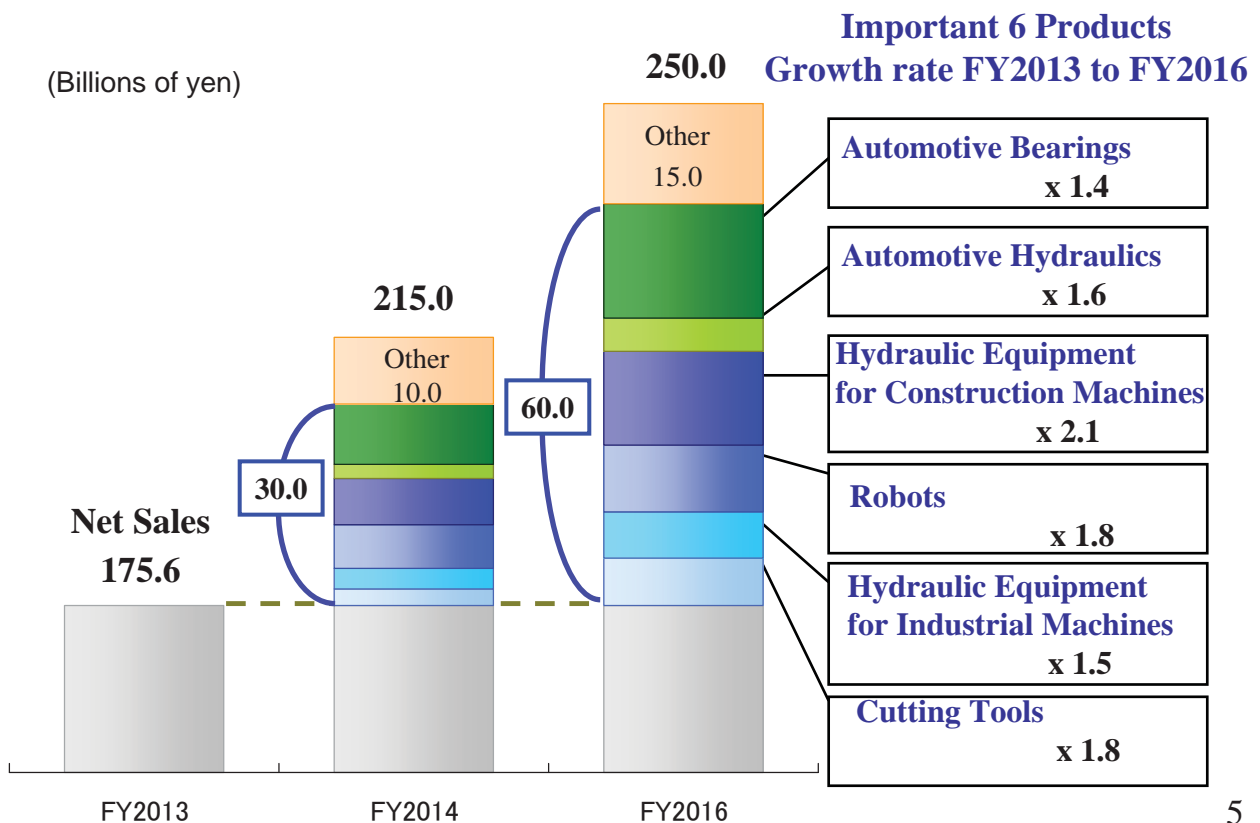
To Accomplish Our Mid-term Business Plan

Overview



Breakdown of FY2016 Sales Growth

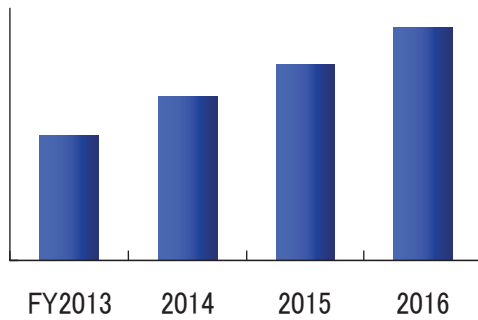
Overview



Sales Expansion of Important Products 1

Overview

1. Automotive Bearings (Growth rate FY2013 to FY2016: x1.4)



<Overseas>

- For the purpose of integrated production, add production lines at USA, Thailand, China, and Czech

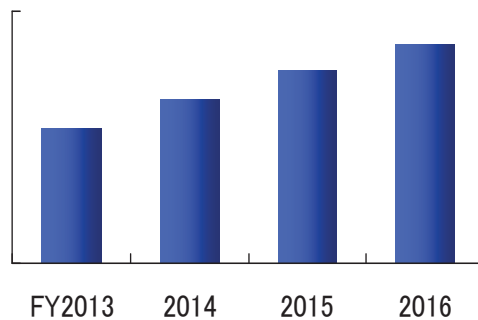
- Go into Production at India

<Domestic>

- Drive Non-human lines



2. Automotive Hydraulics (x1.6)



<Overseas>

- Reach full-scale production at China To aim integrated production

<Domestic>

- Insourcing for cost reduction
- Develop new products

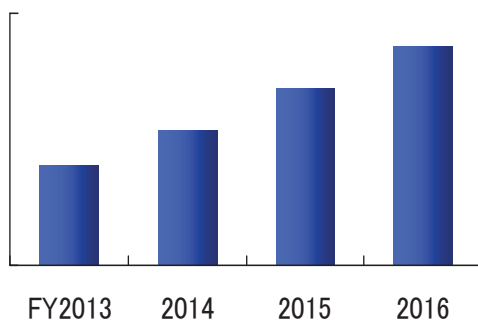


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Sales Expansion of Important Products 2

Overview

3. Hydraulic Equipment for Construction Machines (x2.1)



<Overseas>

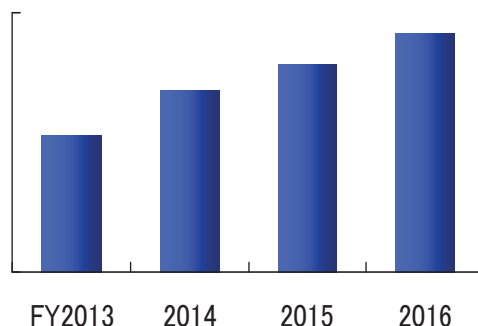
- Add production lines at China To aim integrated production

<Domestic>

- Install New product lines
- Drive Flexible manpower lines



4. Robots (x1.8)



<Overseas>

- Add production lines for MZ07 at China Automate production line

- Open Technical center

<Domestic>

- Drive Non-human lines
- Ramp up processing process

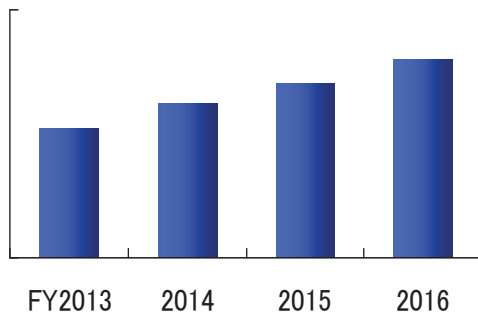


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Sales Expansion of Important Products 3

Overview

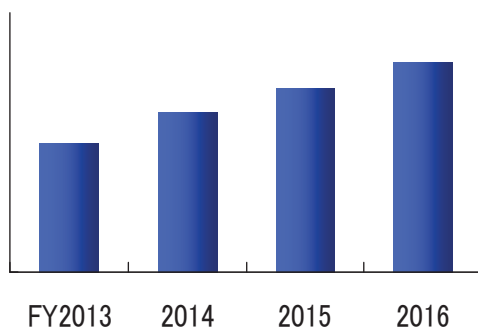
5. Hydraulic Equipment for Industrial Machines (x1.5)



- <Overseas>
 - Ramp up production lines at China
- <Domestic>
 - Ramp up processing process
 - Develop New series



6. Cutting Tools (x1.8)



- <Overseas>
 - Start local production at USA
 - Reconstruct production bases at ASEAN
- <Domestic>
 - Drive Non-human lines
 - Install New product lines



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For the purpose of sales order expansion

Overview

I. Consolidation of business structure

- Increasing local employee on oversea subsidiaries
USA, China (cutting tool, Hydraulic Equipment, Robots)
- Construction of Robots technical center

II. Creation of new products

- Extend the line-up,
mainly for Industrial Machines
Carbide drill, Energy saving hydraulic
units, Precision bearings,
and Compact robots



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Overview of FY2014 1st Half Results

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Consolidated Financial Highlights of FY2014 1st Half **FY2014 1st Half**

(Billions of yen)

	FY2013 1st Half (A)		FY2014 1st Half(B)		Increase/Decrease (Change Rate) (B) – (A)	
Net Sales		82.8		110.9	(+33.9%)	+28.0
(profit ratio on net sales) Operating Income	(6.3%)	5.2	(9.1%)	10.0	(+91.7%)	+4.8
Ordinary Income	(6.5%)	5.3	(8.5%)	9.4	(+77.1%)	+4.1
Extraordinary income		0.3		0.0		-0.3
Extraordinary loss		1.1		1.2		+0.0
Net Income		2.2		4.7	(+109.0%)	+2.4

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Consolidated Financial Data

FY2014 1st Half

(Billions of yen)

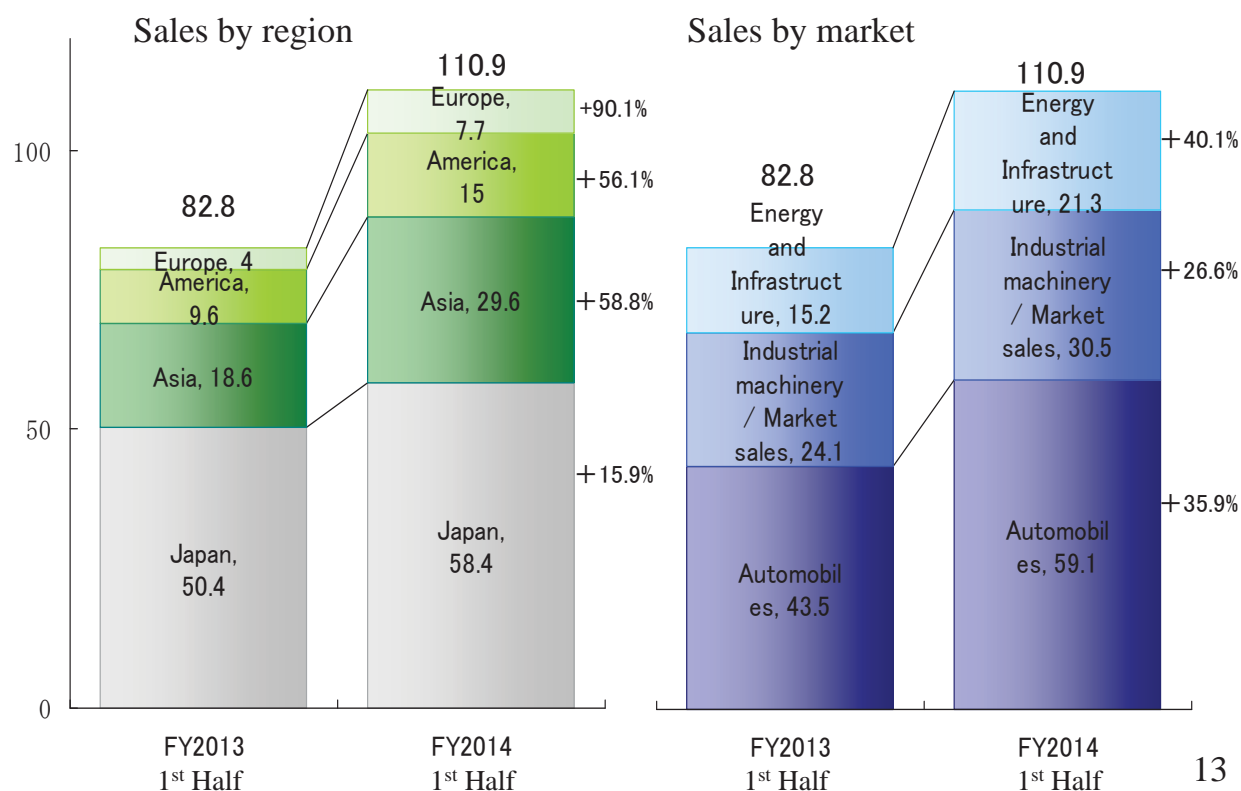
	FY2013 1 st Half (A)	FY2014 1 st Half(B)	Increase/Decrease (B) – (A)
Total Assets	209.6	221.4	+11.7
Stockholder's equity (stockholder's equity ratio)	(33.9%) 71.1	(36.3%) 80.4	+9.2
Interest-bearing debt (Net D/E ratio)	(0.6X) 72.2	(0.5X) 58.5	-13.6
Capacity investment	6.7	8.8	+2.1
Depreciation and amortization	4.9	5.7	+0.8
Number of employees	6,010	6,270	+260
Exchange rate (USD)	87 yen	101 yen	14 yen depreciation against USD
(Euro)	113 yen	139 yen	25 yen depreciation against Euro

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Sales by Region and Market Segment

FY2014 1st Half

(Billions of yen)



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Sales and Operating Income by Business Segments

FY2014 1st Half

(Billions of yen)

		FY2013 1st Half (A)	FY2014 1st Half(B)	Increase/Decrease (%) (B)−(A)	
Machinery & Tool	Cutting Tools	13.3	16.9	(+26.9%)	+3.5
	Machine Tools	10.7	10.5	(-1.4%)	-0.1
	Robots	6.6	8.6	(+29.1%)	+1.9
	Net Sales	30.7	36.0	(+17.5%)	+5.3
	Operating Income	(8.5%) 2.6	(9.7%) 3.5	(+33.9%)	+0.8
Components	Bearings	30.3	43.5	(+43.7%)	+13.2
	Hydraulic Equipment	15.3	22.4	(+46.2%)	+7.1
	Net Sales	45.6	66.0	(+44.5%)	+20.3
	Operating Income	(4.5%) 2.0	(8.5%) 5.6	(x 2.7)	+3.5
Materials & Others	Net Sales	6.4	8.7	(+36.7%)	+2.3
	Operating Income	(8.8%) 0.5	(10.1%) 0.8	(+57.4%)	+0.3
Total Net Sales		82.8	110.9	(+33.9%)	+28.0
Total Operating Income		(6.3%) 5.2	(9.1%) 10.0	(+91.7%)	+4.8

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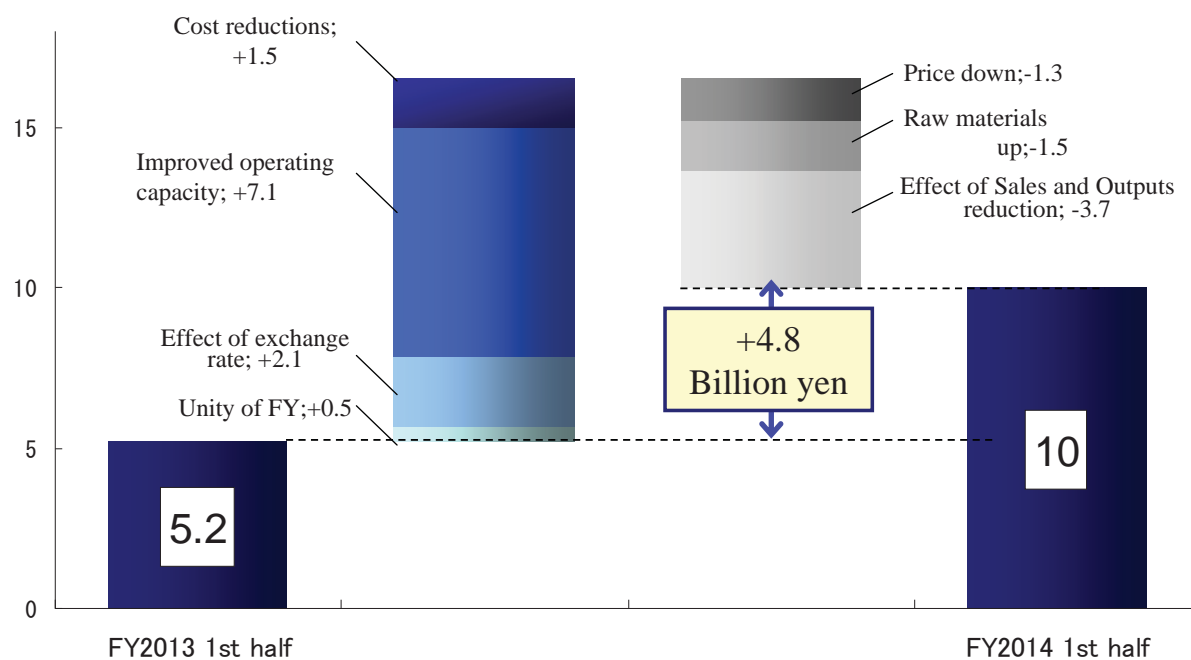
Factors for Change in Operating Income

FY2014 1st Half

(Billions of yen)

(Profit up 11.2 billion yen)

(Profit down 6.4 billion yen)



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Outlook for FY2014

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Consolidated Financial Highlights of FY2014 Plan

FY2014

(Billions of yen)

	FY2013 (A)	FY2014 Forecasts (B)	Increase/Decrease (Proportion) (B) – (A)
Net Sales	175.6	215.0	(+22.4%) +39.3
(profit ratio on net sales) Operating Income	(7.0%) 12.3	(9.1%) 19.5	(+58.0%) +7.1
Ordinary Income	(6.7%) 11.6	(8.6%) 18.5	(+58.1%) +6.8
Extraordinary income	0.4	0.0	-0.4
Extraordinary loss	1.2	1.2	+0.0
Net Income	6.7	10.5	(+56.6%) +3.7

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Consolidated Financial Data

FY2014

(Billions of yen)

	FY2013 (A)	FY2014 Forecast (B)	Increase/Decrease (B) – (A)
Total Assets	207.9	226.0	+18.0
Stockholder's equity (stockholder's equity ratio)	(37.1%) 77.1	(38.1%) 86.0	+8.8
Interest-bearing debt (Net D/E ratio)	(0.5X) 55.1	(0.5X) 60.0	+4.8
Capacity investment	12.6	20.0	+7.3
Depreciation and amortization	10.3	11.5	+1.1
Number of employees	6,072	6,300	+228
Exchange rate (US\$) (Euro€)	92 yen 121 yen	100 yen 137 yen	8 yen depreciation against USD 16 yen depreciation against Euro

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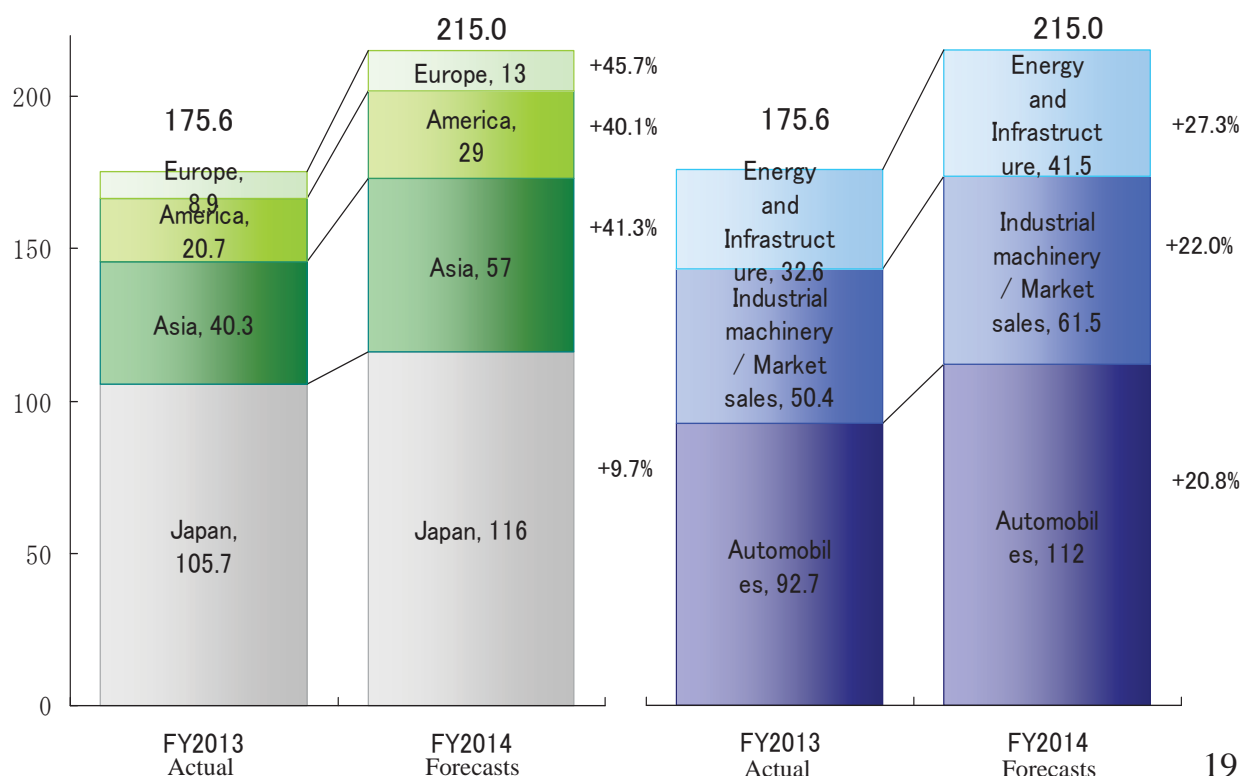
Sales by Region and Market Segment

FY2014

(Billions of yen)

Sales by region

Sales by market



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Sales and Operating Income by Business Segments

FY2014

(Billions of yen)

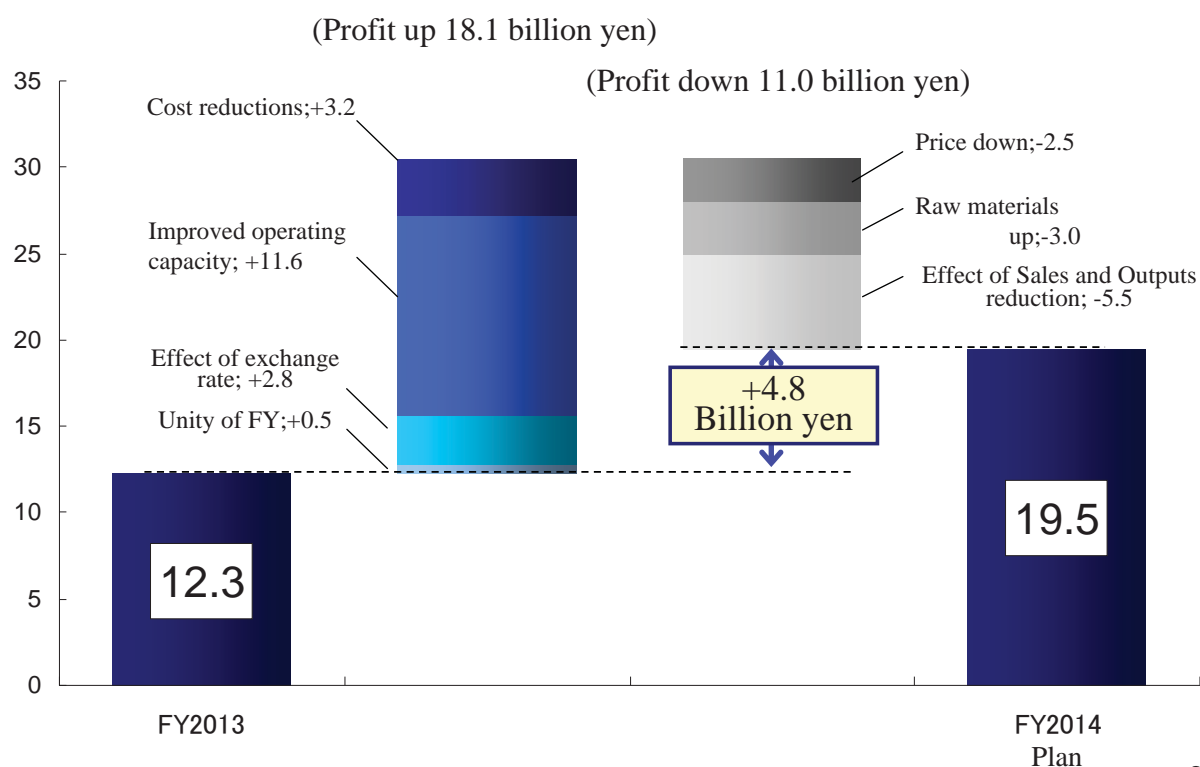
		FY2013 (A)		FY2014 Forecasts (B)		Increase / Decrease (%) (B) - (A)	
Machinery & Tool	Cutting Tools	28.0		32.5		(+15.9%) +4.4	
	Machine Tools	22.6		20.8		(-8.1%) -1.8	
	Robots	13.1		17.5		(+33.0%) +4.3	
	Net Sales	63.8		70.8		(+10.9%) +6.9	
	Operating Income	(8.7%)	5.5	(10.2%)	7.2	(+29.5%) +1.6	
Components	Bearings	64.5		82.0		(+27.0%) +17.4	
	Hydraulic Equipment	33.6		45.0		(+33.7%) +11.3	
	Net Sales	98.2		127.0		(+29.3%) +28.7	
	Operating Income	(5.6%)	5.4	(8.4%)	10.7	(+95.4%) +5.2	
Materials & Others	Net Sales	13.6		17.2		(+26.0%) +3.5	
	Operating Income	(9.3%)	1.2	(9.3%)	1.6	(+26.4%) +0.3	
Total Net Sales		175.6		215.0		(+22.4%) +39.3	
Total Operating Income		(7.0%)	12.3	(9.1%)	19.5	(+58.0%) +7.1	

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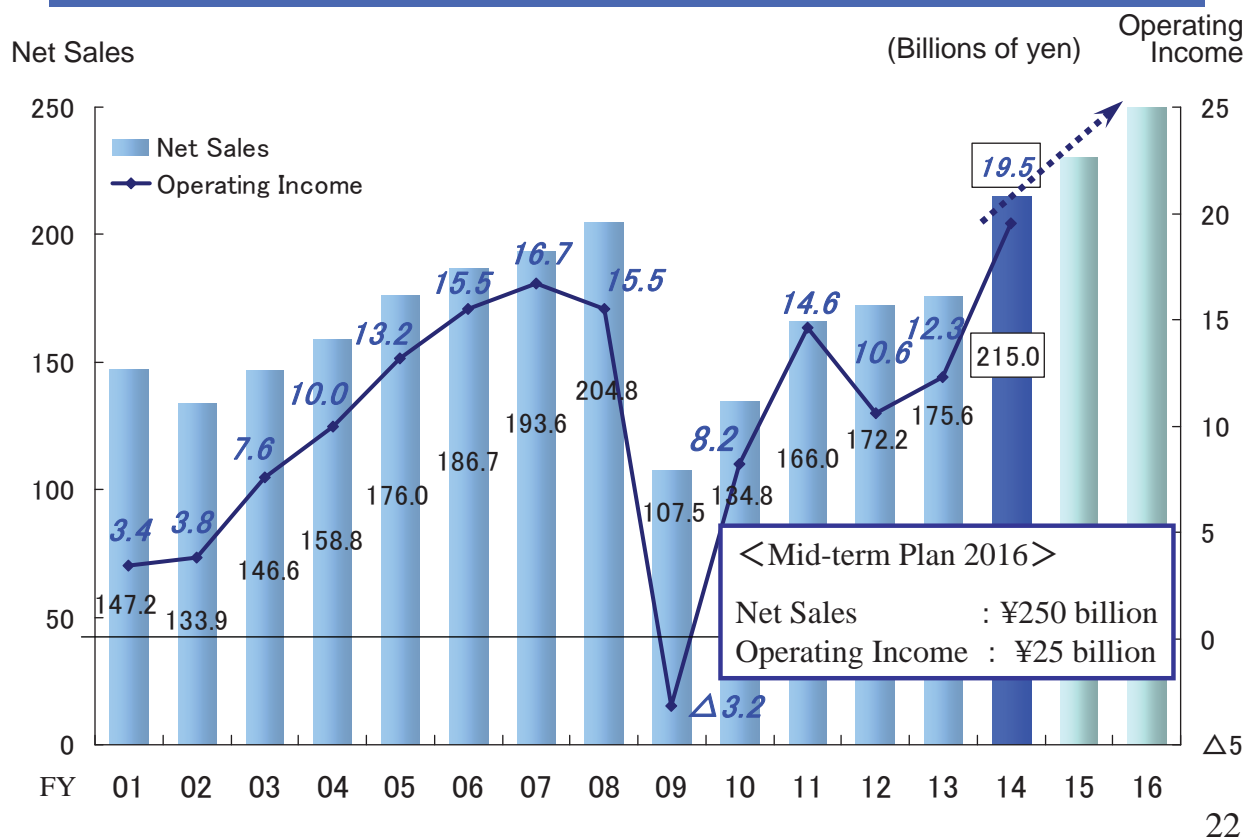
Factors for Change in Operating Income

FY2014

(Billions of yen)



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These materials describe our future earnings forecasts and business plans, and are based on the assumption of an economic environment and business policies that remain fixed as they are now. Therefore, please note that actual earnings are subject to numerous factors, including market fluctuations and currency fluctuations, which may result in a different earnings forecast.